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SUBJECT: Ambassador's Meeting with Minister of Industries

¶1. (SBU) Summary. In his meeting with the Ambassador, Minister of Industries Sagasti said that his priorities are promoting investment and competitiveness, he's the government's bridge to the private sector, and that his ministry is close to reaching agreement with the Foreign Ministry on reallocating trade responsibilities. He also suggested that the GOE may want to explore options to strength bilateral trade relations once the Correa administration is more established. End summary.

¶2. (SBU) The Ambassador met with Minister of Industries Raul Sagasti on February 13. Sagasti opened the meeting by noting the challenges of setting up a new government. He said that changing governments is always challenging, but the transition for the Correa government is doubly challenging since it also trying to make major policy changes as well.

Restructuring Trade Responsibilities

¶3. (SBU) Sagasti said that the Ministry of Industries and Ministry of Foreign Relations had largely agreed how to divide trade responsibilities given President Correa's decision that foreign trade matters will be managed by the Foreign Ministry. Issues that relate to negotiating and compliance with international trade agreements would fall to the foreign ministry, while more technical issues (e.g., licensing, standards) would remain with the Ministry of Industries. The ministries were still discussing some matters, such as who would have authority over CORPEI, Ecuador's trade and investment promotion council. Sagasti said that almost all Ministry of Industries staff would remain, with the exception of about four technical staffers.

Promoting Investment and Competitiveness

¶4. (SBU) Sagasti said that the priorities for his down-sized ministry are promoting investment and competitiveness. He said that investment has always been part of the ministry's mandate, but had received insufficient emphasis until now. He added that he will look to create an environment that will attract both domestic and international investment (but did not specify any specific measures). Sagasti said that the government also intends to enhance Ecuador's competitiveness, and that President Correa wants to preside over the Competitiveness Council. Within his ministry, he has renamed the Under Secretary for Industry as the Under Secretary for Competitiveness.

¶5. (SBU) Sagasti responded enthusiastically when the Ambassador mentioned USAID's success in supporting a leather industry cluster in Cuenca. He said that he hired Esteban Vega, a former employee of

a USAID contractor, as Under Secretary for Competitiveness, and given the success of the USAID project, intends to replicate it as a model for supporting other industry clusters in Ecuador.

Interlocutor with the Private Sector

¶16. (SBU) Sagasti said that President Correa asked him to be the government's bridge to the "productive" sector, and he has begun to meet with the leading Ecuadorian business chambers to explain the government's policies. When the Ambassador inquired whether his objectives were to "calm" the business sector, Sagasti concurred. He said that he informed the business chambers that the government has focused on small and medium enterprises because they had received the least attention from the government, while large business has always been able to call on the government and will continue to have access through him.

Microfinance and Shortcomings of the Banking Sector

¶17. (SBU) Sagasti said that the government is developing plans to provide subsidized credit to underserved rural areas. He said that subsidized credit would not be provided to urban areas to avoid displacing successful urban market-based microcredit programs. He also complained that current financing from the banking sector is focused on consumer goods, and that the banks have failed to provide medium-term financing for businesses. He said that the government will look to also fill that void using its development banks.

Trade Relations with the U.S.

¶18. (SBU) Sagasti said that further extension of the Andean Trade Preference Act is important for Ecuador, and that the GOE would urge its renewal and has hired U.S. lobbyists.

¶19. (SBU) Noting that the U.S. is Ecuador's principal export market, Sagasti suggested that after the government has had time to settle into office he hoped that the U.S. and Ecuador could talk about some form of strengthening bilateral trade relations.

Bio Notes

¶10. (SBU) Raul Sagasti is a businessman from Riobamba, although he has spent most his adult life in Quito. He served for over 23 years as president of the steel company Industria Acero de los Andes. Previously he had worked in the state petroleum company when it was known as CEPE. He later established an oil service company, Coper Pet - S Kinner, which he called "my company," in contrast to the steel company where he worked as president.

Comment

¶11. (SBU) One of the few businessmen in the cabinet, Sagasti does not appear to have particularly strong ideological views (in contrast to many others on Correa's economic team), although he was relatively critical of the banking sector. He was matter-of-fact in discussing his priorities, although he did not give many indications of how he intends to achieve his objectives. We noted with interest his statement that Correa asked him to be the government's liaison with the private sector, since our impression to date is that the government is relatively uninterested in reaching out to or hearing the views of the business elite.

¶12. (SBU) We believe that Sagasti's comment about discussion of trade arrangements reflects his own thinking and not that of the Correa government, although we have the impression that members of Correa's team would be interested in exploring measures such as regular consultations on trade matters, once the government is more established.